

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
40%	Annual Plan Priorities	<p>By June 30, 2006, Develop strategies to provide industry leadership and attain objectives as identified in Annual Plan Projects under the following major categories:</p> <ul style="list-style-type: none"> • Customer Services: Obtain Board approval of a Customer Service Management enterprise policy and strategy that includes evaluation criteria, communication and marketing plans, assessment of required technology, and measurement tools. • Benefits Management: (1) Establish strategic directions for the Health Program and obtain Board approval by March 30, 2006. • Asset Management: (1) Develop plan for the expansion of the Supplemental Savings Program investment options to include “branded CalPERS products”. • Enterprise Compliance: (1) Identify all policies, roles and regulations for the Operational Support functions, (2) Identify compliance tools and monitoring methods used enterprise wide, (3) Report to the Finance Committee on progress of the Compliance Unit. 		<p>Customer Services</p> <p>Completed the following:</p> <ul style="list-style-type: none"> • Project Plan has been developed • Project team members have been selected and assigned • Steering Committee comprised of Terri Westbrook, Kathy Vaughn, Pat Macht, and Ken Marzion has been established • Project charter has been completed <p>In progress:</p> <ul style="list-style-type: none"> • Performing research and analysis including review of industry best practices and benchmarks <p>Benefits Management</p> <p>Completed the following:</p> <ul style="list-style-type: none"> • Obtained Board approval of the CalPERS strategic plan, including Health • Discussed potential health partnership opportunities with the CEO of Catholic Healthcare West

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER - Continued

Qualitative Performance Measures (Continued)

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
				<ul style="list-style-type: none"> Closed session discussion held with the Board to review pending policy decisions on benefit design, market position of HMO and PPO, service area concerns, and plan partnership <p>In progress:</p> <ul style="list-style-type: none"> Evaluating options regarding service area issues, multi-year HMO contracts, and development of PPO Select, and other policy options <p>Asset Management</p> <p>In progress:</p> <p>A report was presented to the Investment Committee at the December 2005 meeting on the plan development to date.</p> <p>Enterprise Compliance</p> <p>A progress report outlining the program's accomplishments for the 2005 calendar year will be presented at the February Finance Committee meeting.</p>

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER - Continued

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
20%	Special Projects	<p>Complete special projects identified by the Board, meeting performance objectives established by the Board at the time of assignment. This will include acting on emerging issues in a manner that maximizes the potential benefit and minimizes the risk to CalPERS. Report to the Board on actions taken.</p> <p><u>SPECIAL PROJECTS:</u></p> <ul style="list-style-type: none"> 1) Defined Benefit/Defined Contribution Pension Debate 2) Disaster Recovery 3) Health Care Purchasers Conference 4) Contracting Review Process 		<p>Defined Benefit/Defined Contribution Pension Debate</p> <p>In progress</p> <p>Disaster Recovery</p> <p>Completed:</p> <p>The construction plans and engineering plans are complete. A deposit has been made on the building. Development of the requirements for the computer room are complete and ready for construction to begin.</p> <p>In progress:</p> <p>Construction</p> <p>Health Care Purchasers Conference</p> <p>Conference was successfully held September 21. Mark Smith of the CHCF and several other notable speakers attended and the event was endorsed by many large employers and employee groups.</p> <p>Contracting Review Process</p> <p>A draft implementation plan has been developed and is currently being evaluated.</p>

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER - Continued

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
15%	Pension System Resumption Project	By March 31, 2006, oversee completion of Final Proposal Review and vendor selection.		In progress
10%	Succession Planning and Management	<p>Demonstrate a commitment to leadership development and communication with all employees about the importance of succession management and workforce planning, including:</p> <ul style="list-style-type: none"> By June 30, 2006, implement the new executive leadership training program including clearer linkage of development activities and formal training to self-development. By June, 30, 2006, implement an enterprise Workforce Action Plan to assure technical and professional bench strength throughout CalPERS. By June 30, 2006, present to the Board a report on the succession management and development plan for Board-reports and the Deputy Executive Officers. 		<p>Completed:</p> <p>The enterprise communication plan for this year's activity and the integration of the succession planning activities into the annual and 3 year business planning process were completed.</p> <p>The development of the Leadership Acceleration Workshops (LAW) has been completed and workshops are scheduled to be held in March and April.</p> <p>Development of an enterprise wide workforce transition action plan is currently underway. Executive level approval will be received by mid-April.</p> <p>Succession management and development plan for Board reports and Deputy Executive Officers is being developed and will be presented to the Performance and Compensation Committee in the Spring.</p>

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER - Continued

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
10%	Enterprise Leadership and Management Communication	<p>Demonstrate a commitment to leadership development and communication with all employees about the importance of open communication and employee engagement.</p> <p>By June 30, 2006 achieve improvement in the area of open communication and employee engagement as measured by a focus group and organization wide survey.</p>		<p>Completed:</p> <p>An action plan has been developed outlining specific objectives to be achieved over the next 18 – 24 months to address four areas that were identified as opportunities in the employee survey:</p> <ul style="list-style-type: none"> • Open Communication and Employee Engagement • Growth and Development • Managing Workload • Accountability for Performance <p>The development of the Leadership Acceleration Workshops (LAW) has been completed and workshops are scheduled to be held in March and April.</p> <p>The administration of the 360 degree multi-rater Leadership Feedback process in support of the annual Leadership skill Assessment process is continuing.</p>

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER - Continued

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
5%	Diversity Program	<p>By December 31, 2005, conduct a Diversity Workshop for the Investment Committee with a goal of establishing objectives for the incorporation of an Investment Office plan to improve diversity in all operations.</p> <p>By March 31, 2006, conduct a Diversity Conference focused on an increase in diversity in CalPERS investment operations.</p>		<p>Completed:</p> <p>The Diversity Workshop was held on November 14, 2005. Henry Cisneros was the key note speaker. The workshop was well attended and successfully launched a new level of commitment to diversity within CalPERS Investment Office.</p> <p>In progress:</p> <p>The planning for the Diversity Conference has begun. The date of the Conference has been set for April 24 – 25, 2006, in San Jose. An update on the planning will be presented to the Investment Committee at the February 2006 Investment Committee</p>
100%	Total	Performance Measures		

PROPOSED INCENTIVE PLAN CHANGE

Name: Fred Buenrostro

Position: Chief Executive Officer

Part A: Addition of Performance Measure

Recommend the following Performance Measure be added to the Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule
Included in 20% for this Factor	Special Projects	Add to the current list of Special Projects: 5) Retirement Application for Disability Accelerated Response (RADAR)	

Reason for addition: The Retirement Application for Disability Accelerated Response Project (RADAR) is a significant priority for the organization and meets the criteria for a Special Project on the CEO's plan. The project calls for complete determinations by June 30, 2006, on 800+ Disability Retirement Applications that were older than 18 months as of 6/30/05. In addition, the Adjustments backlog of 5169 will be reduced by 25%.

Approval: Original signed by _____

Date _____